C. P.–15

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
COMMODITIES PURCHASE SECTION

# INSTRUCTIONS CONCERNING OPTION AGREEMENTS FOR SEED CORN

The following instructions are for the use and guidance of local committees to assist in acquiring options on corn, suitable for seed, now stored under seal and pledged to Commodity Credit Corporation under the 1934–35 C. C. C. Corn Form "A."

(1) *Definitions.*—As used in these Instructions, unless the context otherwise requires, the following terms will be construed respectively to mean:

(*a*) *Producer.*—Any person, partnership, association, or corporation owning eligible corn.

(*b*) *Eligible corn.*—Field corn of standard varieties, produced prior to January 1, 1934, and suitable for seed which is stored in permanent cribs of such construction as to insure safe keeping and which is sealed under a properly issued farm warehouse certificate now pledged to and in the possession of Commodity Credit Corporation under the terms of the 1934–35 C. C. C. Corn Form "A."

(2) *Location of seed corn.*—Your county has been designated as an area in which it is desirable to acquire options on seed corn. Your committee should contact local sealers for assistance in locating the best cribs of eligible corn. A preliminary inspection of these cribs should be made to determine the ones best suited to the purpose, giving due consideration to the kind and quality of the corn, location and suitability of the crib, etc. A list of these should be prepared, showing producer's name and address, location and type of construction of crib, and kind and amount of corn. Producer's name should not be placed on this list until he has indicated his willingness to accept the conditions of the option contract in the event his corn is found to be suitable after final tests have been made.

(3) *Inspection.*—After the preliminary work has been completed and a list prepared you will notify either of the following according to your location:

(*a*) *Minnesota and South Dakota.*—Notify Corn Representative, Seed Stocks Committee, 500 Flour Exchange, Minneapolis, Minn.

(*b*) *Kansas, Missouri, and Iowa.*—Notify Corn Representative, Seed Stocks Committee, Room 611, 114 West Tenth St., Kansas City, Mo.

An official seed-corn sampler will then be designated to complete the inspection. This officer is a duly appointed representative of

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the State Farm Warehousing authority, and as such is authorized to break the seal and open the crib for the purpose of sampling the corn contained therein. After this operation he will again close the crib and replace the seal. *Cribs may be opened only in this manner and all persons are warned, under penalty of law, against otherwise tampering with sealed cribs.*

(4) *Option agreements.*—The option agreement (C. P.–16) provides that in consideration of a payment of twenty (20) cents per bushel the producer grants the Secretary of Agriculture of the United States the option to purchase said corn at any time prior to May 1, 1935, at a price of $1.25 per bushel of seventy (70) pounds of ear corn.

(5) *Issuance of agreements.*—Such cribs of eligible corn as may be approved by the official sampler may be placed under option. An option agreement (C. P.–16) will be issued in triplicate—a white copy, a blue, and a yellow—by the official sampler. All blank spaces in the option certificate must be completely filled in with ink or typewriter or indelible pencil, and no certificate containing additions, alterations, or erasures will be accepted. However, the white copy will be the only one signed by the representative of the Secretary and the producer. This white copy (the original) when completed, except for the signature of the lienholders listed therein, and when signed by the official sampler and the producer, will be delivered, together with the blue copy (duplicate), dirct to the producer. The yellow copy will be forwarded by the official sampler to the Corn Representative, Seed Stocks Committee, Room 611, 114 West Tenth Street, Kansas City, Missouri.

(6) *Waiver of Lienholders.*—All corn optioned must be free and clear of all liens except in favor of the lienholders listed in the space provided therefor in the Option Agreement (C. P.–16) and except for the lien held by Commodity Credit Corporation. The waiver of lienholders (Schedule B, C. P.–16) provided in the option must be signed by all lienholders listed (except Commodity Credit Corporation). When signatures of lienholders have been secured the producer will forward the option as provided in the following paragraph.

(7) *Payment to producer.*—Producers to whom option agreements have been issued will receive payment therefor in the following manner. The Commodity Credit Corporation has instructed the various loan agencies of the Reconstruction Finance Corporation, hereinafter named, to make funds available to the holders of option agreements in such manner as the holder may direct, upon the presentation of a properly executed original option agreement (white copy), issued on corn sealed under a Farm Warehouse Certificate which is held as collateral to the producer's note, payable to the Corporation, either directly or by endorsement. The producer, therefore, should determine which agency of the Reconstruction Finance Corporation now holds his paper and should forward the option agreement promptly to such agency. If the producer's note is held by a local bank, he should request the bank to send the note and warehouse certificate, together with his option agreement, to a loan agency of the Reconstruction Finance Corporation for purchase in accordance with paragraph (9) of the 1934–35 C. C. C Corn Form 1. If the

corn covered by the option agreement has been placed under seal but a loan thereon has not yet been negotiated, the producer should make his note payable to Commodity Credit Corporation direct, and send all loan papers, together with the option certificate, to the loan agency of the Reconstruction Finance Corporation serving his district.

(8) *Loan Agencies of the Reconstruction Finance Corporation.*—Loan Agencies of the Reconstruction Finance Corporation previously referred to which are authorized to make disbursements of funds upon presentation of option agreements are located in the following cities: Chicago, Illinois; Cleveland, Ohio; Denver, Colorado; Kansas City, Missouri; Louisville, Kentucky; Minneapolis, Minnesota; New York, New York; Omaha, Nebraska; and St. Louis, Missouri.

(9) *Terms and conditions of sale.*—It will be noted that the option agreement provides that the producer will sell the corn covered by the agreement at any time prior to May 1, 1935, at the option of the Secretary, and will not otherwise dispose of same except upon such terms and conditions as the Secretary may prescribe. It is contemplated that your committee may be of service to the corn growers of your county and to the producers who have accepted option agreements in bringing about the local sale of seed corn. Where such local demand exists the producer will be granted written permission to sell the corn covered by the option agreement provided:

(*a*) That it is sold for use as seed corn, as evidenced by a certificate from the local seed committee.

(*b*) That the producer repays the twenty (20) cents advanced by the Secretary under the option agreement to the Commodity Credit Corporation.

A producer desiring to secure permission to sell should secure certificate from the local seed committee and forward same to Corn Representative, Seed Stocks Committee, Room 611, 114 West Tenth Street, Kansas City, Missouri, together with his request.

(10) *Obligation of the producer.*—It should be clearly understood that the producer agrees to not otherwise dispose of his corn. In the event the Secretary elects to exercise the option, the remaining fifty (50) cents of the $1.25 purchase price will be due the producer, less such amounts as may have accrued as interest upon the producer's loan to Commodity Credit Corporation. The Secretary reserves the right to refuse any corn which is not in sound and merchantable condition and which is not suitable for use as seed at the time of delivery. The producer agrees that the advance payment of twenty (20) cents per bushel shall apply on the total purchase price of such quantity of corn as may be purchased. If the Secretary should fail to exercise the option within the prescribed time limit and should fail to permit the sale of the corn by the producer, as set out above, the obligation of the producer shall cease and terminate upon May 1, 1935, and the advance payment shall be retained by him.

(11) *Repayment in event of sale.*—In the event that permission is given by the Secretary or his representative to the producer to sell his corn, the usual procedure now in effect in the repayment of Commodity Credit Corporation loans will be followed. The pro-

ducer will request the return of his corn loan papers, together with the original option agreement to a local bank to be designated by him, and the original permission, or an executed duplicate thereof, from the Secretary or his duly authorized agent, must accompany such request. The producer will then repay his corn loan note plus interest and in addition will repay the sum of twenty (20) cents per bushel advanced on the option, without interest.

In order to facilitate the release of a crib or cribs before the entire loan is repaid, producers are urged to execute separate notes and loan agreements for each crib. *Each note must be covered by a separate option agreement.*

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